

CALIFORNIA DEPARTMENT OF FOOD AND AGRICULTURE

AUDIT OFFICE



34TH DISTRICT AGRICULTURAL ASSOCIATION
MODOC - THE LAST FRONTIER FAIR
CEDARVILLE, CALIFORNIA

INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS

AUDIT REPORT #08-033
FOR THE YEARS ENDED
DECEMBER 31, 2007 AND 2006

34TH DISTRICT AGRICULTURAL ASSOCIATION
MODOC - THE LAST FRONTIER FAIR
CEDARVILLE, CALIFORNIA

INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS

FOR THE YEARS ENDED
DECEMBER 31, 2007 AND 2006

AUDIT STAFF

Ron Shackelford, CPA
Shakil Anwar, CPA
Hardeep Kaur

Audit Chief
Assistant Audit Chief
Auditor

AUDIT REPORT NUMBER

#08-033

34TH DISTRICT AGRICULTURAL ASSOCIATION
MODOC - THE LAST FRONTIER FAIR
CEDARVILLE, CALIFORNIA

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor's Report.....	1
Financial Statements.....	3
Notes to the Financial Statements	6
Report Distribution	10



CALIFORNIA DEPARTMENT OF
FOOD & AGRICULTURE

A. G. Kawamura, Secretary

Ms. Jeannine Primorac, President
Board of Directors
34th DAA, Modoc - The Last Frontier Fair
#1 Center Street
Cedarville, California 96104

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying statements of financial condition of the 34th District Agricultural Association (DAA), Modoc - The Last Frontier Fair, Cedarville, California, as of December 31, 2007 and 2006, and the related statements of operations and changes in accountability, and cash flows-regulatory basis for the years then ended. These financial statements are the responsibility of the 34th DAA's management. Our responsibility is to express an opinion on these financial statements based on our audits.

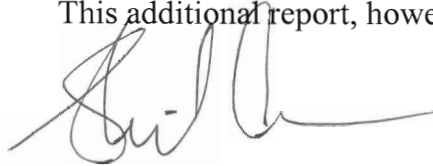
We have conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the 34th DAA, Modoc – The Last Frontier Fair, as of December 31, 2007 and 2006, and the results of its operations and changes in accountability, and cash flows-regulatory basis for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The 34th DAA, Modoc - The Last Frontier Fair has not presented the Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.



Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Management Report #08-033, on the 34th DAA's compliance with State laws and regulations and system of internal accounting control, is issued solely for the purpose of additional analysis and should be addressed by the 34th DAA as appropriate. This additional report, however, is not a required part of the basic financial statements.



For
Ron Shackelford, CPA
Chief, Audit Office

March 28, 2008

**34TH DISTRICT AGRICULTURAL ASSOCIATION
MODOC - THE LAST FRONTIER FAIR
CEDARVILLE, CALIFORNIA**

**STATEMENTS OF FINANCIAL CONDITION
December 31, 2007 and 2006**

	Account Number	2007	2006
ASSETS			
Cash	111-119	\$ 151,509	\$ 153,556
Accounts Receivable, Net	131-133	2,852	1,155
Construction in Progress	190	3,313	-
Land	191	600	600
Buildings and Improvements, Net	192	325,666	321,365
Equipment	193	-	-
TOTAL ASSETS		483,940	476,677
LIABILITIES AND NET RESOURCES			
Liabilities and Other Credits			
Accounts Payable and Other Liabilities	211-226	3,803	542
Deferred Income	228	61,848	46,912
Guaranteed Deposits	241	-	800
Compensated Absences Liability	245	22,186	41,252
Total Liabilities and Other Credits		87,836	89,506
Net Resources			
Net Resources - Operations	291	69,837	65,206
Net Resources - Capital Assets less Related Debt	291.1	326,266	321,965
Total Net Resources Available		396,103	387,171
TOTAL LIABILITIES AND NET RESOURCES		\$ 483,940	\$ 476,677

**34TH DISTRICT AGRICULTURAL ASSOCIATION
MODOC - THE LAST FRONTIER FAIR
CEDARVILLE, CALIFORNIA**

STATEMENTS OF OPERATIONS/CHANGES IN ACCOUNTABILITY
Years Ended December 31, 2007 and 2006

	<u>Account Number</u>	<u>2007</u>	<u>2006</u>
REVENUE			
State Apportionments	312	\$ 180,000	\$ 180,000
Capital Project Reimbursement Funds	319	30,876	-
Other Contributions	330	10,174	9,160
Other Capital Projects - F&E Funded	340	24,444	12,537
Admissions	410	19,258	19,841
Commercial Space	415	4,750	2,880
Carnival	421	431	141
Food Concessions	422	10,790	11,248
Exhibits	430	9,116	6,713
Horse Show Revenue	440	30,974	25,687
Attractions - Fairtime	460	29,601	27,940
Miscellaneous Fair	470	2,215	2,486
Non-Fair Revenue	480	24,215	22,301
Prior Year Adjustment	490	-	(15,928)
Other Revenue	495	11,513	7,389
Total Revenue		<u>388,358</u>	<u>312,395</u>
EXPENSES			
Administration	500	103,092	92,262
Maintenance and Operations	520	113,467	107,800
Publicity	540	11,402	11,429
Attendance	560	7,157	5,732
Miscellaneous Fair	570	4,267	3,525
Premiums	580	15,883	12,581
Exhibits	630	8,490	9,084
Horse Show	640	27,351	26,398
Fairtime Attractions, Interim Attractions	660	38,003	36,304
Prior Year Adjustments	800	-	(5,543)
Cash Over/Short from Ticket Sales	850	(4)	41
Depreciation Expense	900	15,698	22,680
Other Operating Expense	940	34,619	21,697
Total Expenses		<u>379,426</u>	<u>343,990</u>
RESOURCES			
Net Change - Income / (Loss)		8,932	(31,595)
Resources Available, January 1		387,170	418,766
Resources Available, December 31		<u><u>\$ 396,103</u></u>	<u><u>\$ 387,170</u></u>

**34TH DISTRICT AGRICULTURAL ASSOCIATION
MODOC - THE LAST FRONTIER FAIR
CEDARVILLE, CALIFORNIA**

**STATEMENTS OF CASH FLOWS - REGULATORY BASIS
Years Ended December 31, 2007 and 2006**

	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Excess of Revenue Over Expenses (Expenses Over Revenue)	\$ 8,932	\$ (31,595)
Adjustment to Reconcile Excess of Revenue Over Expenses to Net Cash Provided by Operating Activities:		
(Increase) Decrease in Accounts Receivable	(1,696)	1,644
Increase (Decrease) in Accounts & Other Payables	3,261	(796)
Increase (Decrease) in Deferred Income	14,935	(12,737)
Increase (Decrease) in Miscellaneous Liabilities	(800)	(160)
Increase (Decrease) in Compensated Absence Liability	(19,066)	(1,999)
Increase (Decrease) in Guarantee Deposits	-	100
Total Adjustments	<u>(3,366)</u>	<u>(13,948)</u>
Net Cash Provided (Used) by Operating Activities	<u>5,567</u>	<u>(45,543)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
(Increase) Decrease in Construction in Progress	(3,313)	15,928
(Increase) Decrease in Buildings & Improvements, Net	(4,301)	15,032
(Increase) Decrease in Equipment, Net	<u>-</u>	<u>7,648</u>
Net Cash Provided (Used) by Investing Activities	<u>(7,614)</u>	<u>38,608</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase (Decrease) in Long-Term Liability	<u>-</u>	<u>-</u>
Net Cash Provided (Used) by Financing Activities	<u>-</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH	(2,047)	(6,935)
Cash at Beginning of Year	153,556	160,491
CASH AT END OF YEAR	<u><u>\$ 151,509</u></u>	<u><u>\$ 153,556</u></u>

**34TH DISTRICT AGRICULTURAL ASSOCIATION
MODOC - THE LAST FRONTIER FAIR
CEDARVILLE, CALIFORNIA**

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2007 and 2006

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - The 34th District Agricultural Association (DAA) was formed on July 13, 1937, for the purpose of sponsoring, managing, and conducting the Modoc - The Last Frontier Fair each year in Cedarville, California. The State of California, Department of Food and Agriculture, through the Division of Fairs and Expositions provides oversight responsibilities to the DAA. The DAA is subject to the policies, procedures, and regulations set forth in the California Government Code, California Business and Professions Code, Public Contracts Code, Food and Agricultural Code, State Administrative Manual, and the Accounting Procedures Manual established by the Division of Fairs and Expositions.

The State of California allocates funds annually to the DAA's to support operations and acquire fixed assets. However, the level of State funding varies from year to year based on budgetary constraints. The Division of Fairs and Expositions determines the amount of the allocations.

Basis of Accounting - The accounting policies applied to and procedures used by the DAA conform to accounting principles applicable to District Agricultural Associations as prescribed by the State Administrative Manual and the Accounting Procedures Manual. The DAA's activities are accounted for as an enterprise fund. The Governmental Accounting Standards Board defines an enterprise fund as a fund related to an organization financed and operated in a manner similar to a private business enterprise where the intent is to recover the costs of providing goods or services to the general public primarily through user charges.

The DAA's financial activities are accounted for using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP) as promulgated by the Governmental Accounting Standards Board. Thus, revenues are reported in the year earned rather than collected, and expenses are reported in the year incurred rather than paid.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the

reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes – The DAA is a state agency and therefore, is exempt from paying taxes on its income.

Cash and Cash Equivalents - The DAA's cash and cash equivalents are separately held in various local banks. The Financial Accounting Standards Board defines cash equivalents as short-term, highly liquid investments that are both: (1) readily convertible to known amounts of cash; and (2) so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. The cost of all cash equivalents of the DAA approximates market value.

The California State Treasury makes available the Local Agency Investment Fund (LAIF) through which local governments may pool investments. Each governmental entity may invest up to \$40,000,000 in the fund. Investments in the LAIF are highly liquid, as deposits can be converted to cash within 24 hours without loss of interest.

In accordance with the Accounting Procedures Manual, the DAA is authorized to deposit funds in certificates of deposit and interest bearing accounts. However, Government Code Sections 16521 and 16611 require the bank or savings and loan association to deposit, with the State Treasurer, securities valued at 110 percent of the uninsured portion of the funds deposited with the financial institution. Government Code Sections 16520 and 16610 provide that security need not be required for that portion of any deposit insured under any law of the United States, such as FDIC and FSLIC.

Property and Equipment - Construction-in-progress, land, buildings and improvements, and equipment are acquired with operating funds and funds allocated by the State. Any acquired assets, if greater than \$5,000 and a useful life of one or more years, are capitalized and depreciated. Buildings and improvements are depreciated over a period of 30 years, and purchases of equipment are depreciated over five years. Amounts spent on repair and maintenance costs are expensed as incurred by the Fair. Furthermore, donated building improvements, and equipment are recorded at their fair market value at the date of the gift. This recorded basis is depreciated over the useful lives identified above. Amounts spent on projects that have not been placed in service are recorded in Account #190, Construction-in-Progress and no depreciation is recorded on Construction-in-Progress until the project is completed and the asset is placed in service.

Sales Taxes – The State of California imposes a sales tax of 7.25% on all of the DAA's sales of merchandise. The DAA collects that sales tax from customers and remits the entire amount to the state Board of Equalization.

The DAA's accounting policy is to exclude the tax collected and remitted to the State from revenues and cost of sales.

Compensated Absences - Pursuant to Statement No. 16 of the Governmental Accounting Standards Board, State and local governmental entities are required to report the liability for compensated absences. Compensated absences are absences for which permanent employees will be paid, such as vacation, personal leave, and compensatory time off. The compensated absences liability is calculated based on the pay rates in effect at the balance sheet date.

NOTE 2 CASH AND CASH EQUIVALENTS

The following list of cash and cash equivalents were held by the DAA as of December 31:

	<u>2007</u>	<u>2006</u>
Petty Cash	\$ 100	\$ 100
Change Funds	100	100
Cash in Bank - Operating	9,508	9,410
Cash in Bank - Payroll	4,000	4,000
Cash in Bank - LAIF	97,125	139,946
Cash in Bank – Time Deposits	<u>40,677</u>	<u>0</u>
Total Cash and Cash Equivalents	<u>\$ 151,509</u>	<u>\$ 153,556</u>

NOTE 3 ACCOUNTS RECEIVABLE

The DAA is required to record an allowance for doubtful accounts based on estimates of collectibility.

	<u>2007</u>	<u>2006</u>
Accounts Receivable - Trade	\$ 2,852	\$ 1,155
Allowance for Doubtful Accounts	<u>0</u>	<u>0</u>
Accounts Receivable - Net	<u>\$ 2,852</u>	<u>\$ 1,155</u>

NOTE 4 PROPERTY AND EQUIPMENT

Buildings and improvements, and equipment at December 31, 2007 and 2006 consist of the following:

	<u>2007</u>	<u>2006</u>
Building & Improvements	\$1,562,875	\$1,542,876
Less: Accumulated Depreciation	<u>(1,237,209)</u>	<u>(1,221,511)</u>
Building & Improvements - Net	<u>\$325,666</u>	<u>\$321,365</u>

Equipment	\$ 100,373	\$ 100,373
Less: Accumulated Depreciation	(100,373)	(103,373)
Equipment - Net	<u>\$ 0</u>	<u>\$ 0</u>

NOTE 5

RETIREMENT PLAN

Permanent employees of the DAA are members of the Public Employees' Retirement System (PERS), which is a defined benefit contributory retirement plan. The retirement contributions made by the DAA and its employees are actuarially determined. Contributions plus earnings of the Retirement System will provide the necessary funds to pay retirement costs when accrued. The DAA's share of retirement contributions is included in the cost of administration. For further information, please refer to the annual single audit of the State of California.

Retirement benefits fully vest after five years of credited service for Tier I employees. Retirement benefits fully vest after ten years of credited service for Tier II employees. Upon separation from State employment, members' accumulated contributions are refundable with interest credited through the date of separation. The DAA, however, does not accrue the liability associated with vested benefits.

The Alternate Retirement Program (ARP) is a retirement savings program that certain employees hired on or after August 11, 2004 are automatically enrolled in for their first two years of employment with the State of California. ARP is administered by the Savings Plus Program with the Department of Personnel Administration and invests funds in a fixed-income fund. ARP provides two years of retirement savings (five percent of paycheck amount each month) in lieu of two years of service credit. At the end of the two-year period, the deductions are placed in CalPERS and the retirement service credit begins.

Temporary, 119-day, employees of the DAA participate in the Part-Time, Seasonal, Temporary (PST) Retirement Plan. The PST Retirement Plan is a mandatory deferred compensation plan under which 7.5% of the employee's gross salary is deducted before taxes are calculated. These pre-tax dollars are placed in a guaranteed savings program. The employee has the option of leaving these funds on deposit upon separation, or requesting a refund.

NOTE 6

DEFERRED CHARGES AND INCOME

Deferred income totaling \$61,848 at December 31, 2007 primarily includes unspent Millennium Flex funds totaling \$37,375 and unspent wind damage insurance funds totaling \$22,800.

**34TH DISTRICT AGRICULTURAL ASSOCIATION
MODOC - THE LAST FRONTIER FAIR
CEDARVILLE, CALIFORNIA**

REPORT DISTRIBUTION

<u>Number</u>	<u>Recipient</u>
1	President, 34th DAA Board of Directors
1	Chief Executive Officer, 34th DAA
1	Director, Division of Fairs and Expositions
1	Chief Counsel, CDFA Legal Office
1	Chief, CDFA Audit Office

CALIFORNIA DEPARTMENT OF FOOD AND AGRICULTURE

AUDIT OFFICE



34TH DISTRICT AGRICULTURAL ASSOCIATION
MODOC - THE LAST FRONTIER FAIR
CEDARVILLE, CALIFORNIA

MANAGEMENT REPORT #08-033

YEAR ENDED DECEMBER 31, 2007

34TH DISTRICT AGRICULTURAL ASSOCIATION
MODOC - THE LAST FRONTIER FAIR
CEDARVILLE, CALIFORNIA

MANAGEMENT REPORT
YEAR ENDED DECEMBER 31, 2007

AUDIT STAFF

Ron Shackelford, CPA
Shakil Anwar, CPA
Hardeep Kaur

Audit Chief
Assistant Audit Chief
Auditor

MANAGEMENT REPORT NUMBER
#08-033

TABLE OF CONTENTS

	<u>PAGE</u>
MANAGEMENT LETTER.....	1
REPORTABLE CONDITIONS	3
Internal Controls over Bank Reconciliations	3
Accounts Payable	3
NON-REPORTABLE CONDITION	4
Carnival Revenues.....	4
DISTRICT AGRICULTURAL ASSOCIATION’S RESPONSE	5
CDFA EVALUATION OF RESPONSE.....	7
DISPOSITION OF AUDIT RESULTS.....	8
REPORT DISTRIBUTION	9



CALIFORNIA DEPARTMENT OF
FOOD & AGRICULTURE

A. G. Kawamura, Secretary

Ms. Jeannine Primorac, President
Board of Directors
34th DAA, Modoc - The Last Frontier Fair
#1 Center Street
Cedarville, California 96104

In planning and performing our audit of the financial statements of the 34th District Agricultural Association (DAA), Modoc - The Last Frontier Fair, Cedarville, California, for the year ended December 31, 2007, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure. However, we noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

In addition, this Management Report includes: (1) matters other than those related to the internal control structure which came to our attention that could, in our judgment, either individually or in the aggregate, have a significant effect on the entity's financial reporting process (e.g., accounting errors, significant audit adjustments, etc.), and (2) areas of non-compliance by the Modoc - The Last Frontier Fair with respect to State laws and regulations, with the Accounting Procedures Manual, and with established policies and procedures.

In accordance with Government Code Section 13402, Fair managers and Board of Directors are responsible for the establishment and maintenance of a system or systems of internal accounting and administrative control within their agencies. This responsibility includes documenting the system, communicating system requirements to employees, and assuring that the system is functioning as prescribed and is modified, as appropriate, for changes in conditions.

Due to the small size of the 34th DAA's office staff, it is not practical to have the degree of segregation of duties possible in a larger organization. Therefore, the Board of Directors must consider this when determining the extent that the Board becomes involved in operations to adequately safeguard the 34th DAA's assets. The system of internal control should provide the Board of Directors and management reasonable, but not absolute,

assurance that: (1) only authorized transactions are executed; (2) transactions are properly recorded in the accounting records; and (3) material errors and irregularities that may occur, will be detected by the 34th DAA in a timely manner during the normal course of operations. In this regard, it is particularly important that the Board review and approve significant transactions and critically review monthly financial information. The 34th DAA's minimum staffing was one factor considered in determining the nature, timing, and extent of the tests to be performed on the 34th DAA's accounting procedures, records, and substantiating documents.

During our audit of the internal control structure of the 34th DAA and compliance with state laws and regulations, we identified one area with reportable condition that is considered weakness in the Fair's operations: internal controls over bank reconciliations and accounts payable. We have provided two recommendations to improve the operations of the Fair. The Fair must respond in writing on how the recommendation will be implemented.

We also identified an additional area containing a non-reportable condition. This condition and accompanying recommendation is not considered a significant weakness. We have included this item solely for the benefit of the 34th DAA's management. We suggest the Fair implement the recommendation as soon as practicable. The Fair, however, is not required to provide a written response to the recommendation for a non-reportable condition.

REPORTABLE CONDITIONS

INTERNAL CONTROLS OVER BANK RECONCILIATIONS

Our office noted the Fair's bank reconciliations did not have signatures or dates that would have noted whether they were prepared in a timely manner or sufficiently reviewed. The purpose of bank reconciliations is (i) to ensure the paid checks and deposits are reconciled with the entries in the cash disbursements and receipts journals, (ii) to identify all current outstanding checks, and (iii) to provide a comparison of bank balances to accounting records to aid in the identification of discrepancies from potential errors. According to Accounting Procedures Manual (APM) all bank account reconciliations should be prepared within ten days of receiving the bank statement and should be reviewed, dated, and signed by the Fair's Chief Executive Officer or other accountable employee to demonstrate a sufficient review has taken place.

Recommendation

1. *The Fair should improve its controls over cash management by ensuring all bank account reconciliations are prepared in a timely manner. Furthermore, someone other than the preparer should review and approve the reconciliations to ensure their accuracy and timeliness.*

ACCOUNTS PAYABLE

Our office noted the Fair did not accrue all 2007 liabilities at year-end that were subsequently paid in 2008. As a result, we identified \$3,312 of unrecorded liabilities that were accounted for in the correct fiscal year. Generally Accepted Accounting Principals (GAAP) requires the recognition of expenses within the period incurred. If expenses have been incurred, but not yet invoiced, an effort should be made to reasonably estimate and accrue the liability for the amount owed. This should be done prior to closing the accounting records and preparing the annual STOP.

Recommendation

2. *The Fair should ensure that accounts payable at year-end include all known payables, including estimates of utilities, even though billings have not yet been received.*

NON-REPORTABLE CONDITION**CARNIVAL REVENUES**

The Fair exposed itself to loss by not having the carnival contractor review and approve the carnival settlement sheet prior to final monetary settlement. The purpose of the carnival settlement sheet is to summarize all fairtime carnival financial revenues and provide assurance to the Fair that all carnival revenues have been properly reported. The Accounting Procedures Manual requires both the Fair and the contractor to sign the settlement sheet. These signatures verify that both parties, prior to any final monetary settlement, agree upon the amounts reported on the settlement sheet.

Recommendation

The Fair should ensure the final carnival settlement sheet has been reviewed for accuracy and signed by both parties prior to final monetary settlement. The purpose of this procedure is to alleviate any discrepancies or claims that may arise at a later date.

DISTRICT AGRICULTURAL ASSOCIATION'S RESPONSE

MODOC DISTRICT FAIR

*P.O. Box 26 Cedarville, CA 96104
(530) 279-2315 Office (530) 279-2555 Fax
mdocfair@hdo.net email*

Dannette DePaul, Manager

May 27, 2008

Audit Office
Department of Food and Agriculture
1220 N Street, Room 344
Sacramento, CA 95814

Re: Audit Response – 34th DAA

Gentlemen:

Following is the 34th District Agricultural Association's response to the 2007 Audit Report for Reportable Conditions:

INTERNAL CONTROLS OVER BANK RECONCILIATIONS

Finding: The Fair should improve its controls over cash management by ensuring all bank account reconciliations are prepared in a timely manner. Furthermore, someone other than the preparer should review and approve the reconciliations to ensure their accuracy and timeliness.

Response: Effective April, 2008, all bank account reconciliations will be signed and dated by the preparer and CEO to indicate review and approval of reconciliations to ensure accuracy and timeliness.

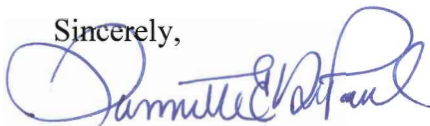
ACCOUNTS PAYABLE

Finding: The Fair should ensure that accounts payable at year-end include all known payables; including estimates of utilities, even though billings have not yet been received.

Response: The Fair will ensure that accounts payable at year-end include all known payables, even though billings have not yet been received.

If you have any questions, or need additional information, please do not hesitate to contact me.

Sincerely,



Dannette E. DePaul
Manager



Seab McDonald
President, Board of Directors

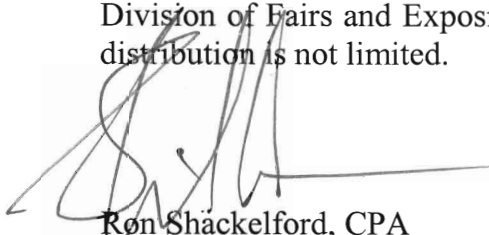
CDDA EVALUATION OF RESPONSE

A draft copy of this report was forwarded to the management of the 34th DAA, Modoc – The Last Frontier Fair, for its review and response. We have reviewed the response and it addresses the findings contained in this report.

DISPOSITION OF AUDIT RESULTS

The findings in this management report are based on fieldwork that my staff performed between March 17, 2008 and March 28, 2008. My staff met with management on March 28, 2007 to discuss the findings and recommendations, as well as, other issues.

This report is intended for the information of the Board of Directors, management, and the Division of Fairs and Expositions. However, this report is a matter of public record and its distribution is not limited.



For Ron Shackelford, CPA
Chief, Audit Office

March 28, 2008

REPORT DISTRIBUTION

<u>Number</u>	<u>Recipient</u>
1	President, 34th DAA Board of Directors
1	Chief Executive Officer, 34th DAA
1	Director, Division of Fairs and Expositions
1	Chief Counsel, CDFA Legal Office
1	Chief, CDFA Audit Office